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ANNUAL AUDITED REPORT <sup>SEC</sup>  
FORM X-17A-5 <sup>Processing</sup>  
PART III <sup>Section</sup>

FEB 29 2008

SEC FILE NUMBER

8 - 49384

FACING PAGE <sup>Washington, DC</sup>  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

AVALON PARTNERS, INC.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

60 BROAD STREET, 33rd FLOOR

(No. And Street)

NEW YORK,

(City)

NY

(State)

10004

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

VINCENT AU

(212) 994-9550

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report \*

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

(Name - if individual state last, first, middle name)

5 West 37<sup>th</sup> Street, 4<sup>th</sup> Floor

(Address)

NEW YORK

(City)

NY

(State)

10018

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of it possessions.

FOR OFFICIAL USE ONLY

PROCESSED  
MAR 24 2008  
THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as basis for the exemption. See section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of  
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## OATH OR AFFIRMATION

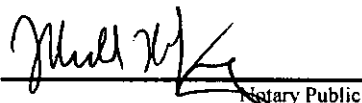
I, VINCENT AU, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AVALON PARTNERS, INC., as of DECEMBER 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MICHAEL H. FERENCE  
Notary Public, State of New York  
No. 02FE5067379  
Qualified in New York County  
Certificate Filed in New York County  
Commission Expires October 15, 19  
2010

  
Signature

PRESIDENT & CEO  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation or Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of previous audit.
- ☒ (o) Supplemental independent Auditors Report on Internal Accounting Control.

*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

- SEC  
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Section

FEB 29 2008

Washington, DC  
101

AVALON PARTNERS, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2007

# FULVIO & ASSOCIATES, L.L.P.

JOHN FULVIO, CPA  
SUSAN E. VAN VELSON, CPA  
CHRISTIAN TIRIOLO, CPA  
KENNETH S. WERNER, CPA

*Certified Public Accountants*

5 West 37th Street  
4th Floor  
New York, New York 10018  
TEL: 212-490-3113  
FAX: 212-986-3679  
www.fulviollp.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Avalon Partners, Inc.:

We have audited the accompanying statement of financial condition of Avalon Partners, Inc. (the "Company") as of December 31, 2007. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Avalon Partners, Inc. as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.



New York, New York  
February 14, 2008

AVALON PARTNERS, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2007

ASSETS

Cash	\$ 92,644
Due from brokers	51,966
Commissions receivable	229,200
Employee advances	94,985
Security deposits	253,995
Property and equipment, (net of accumulated depreciation of \$114,790)	111,364
Prepaid expenses and other assets	<u>28,402</u>
 TOTAL ASSETS	 <u>\$ 862,556</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Commissions payable	\$ 41,728
Accrued expenses and accounts payable	<u>214,761</u>

TOTAL LIABILITIES	256,489
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STOCKHOLDERS' EQUITY:

Common stock – no par value, 200 shares authorized, 100 shares issued and outstanding	100
Additional paid – in capital	1,633,476
Accumulated deficit	<u>(1,027,509)</u>

TOTAL STOCKHOLDERS' EQUITY	<u>606,067</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 862,556</u>
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The accompanying notes are an integral part of this financial statement.

AVALON PARTNERS, INC.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2007

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Avalon Partners, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Securities Investor Protection Corporation ("SIPC") and the Financial Industry Regulatory Authority, Inc. ("FINRA").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including agency transactions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Securities Transactions

Customers' securities transaction, commission income, commission expense and related clearing expenses are reported on a settlement date basis. There are no significant differences between settlement and trade date commissions.

Income Taxes

The Company is considered a taxable entity and as a result files Federal, New York State and New York City income tax returns and has accrued for the applicable taxes for 2007.

Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of five to ten years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Advertising

Advertising costs are expensed as incurred and included in other expenses.

AVALON PARTNERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007 consisted of the following:

Computer equipment	\$ 45,156
Furniture and fixtures	108,607
Telephone equipment	37,995
Leasehold improvements	22,475
Art	<u>11,921</u>
 Total Fixed Assets, at cost	 <u>226,154</u>
 Less: accumulated depreciation	 <u>114,790</u>
 Net Fixed Assets	 <u>\$ 111,364</u>

NOTE 4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT RISK

The Company's activities involve the introduction of transactions on a fully disclosed basis with U.S. Clearing ("clearing broker") on behalf of customers. Through contractual agreement with the clearing broker, the Company is liable in the event the customers are unable to fulfill their contracted obligations with the clearing broker.

The customers' activities are transacted on either a cash or margin basis through the facilities of the clearing broker. In margin transactions, the clearing broker extends credit to customers, subject to various regulatory and margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the clearing broker executes and clears customers' transactions involving the sale of securities that are not yet purchased ("short sales"). These transactions may expose the Company to significant off-balance-sheet risk in the event the customers fail to satisfy their obligations to the clearing broker. The Company may then be required to compensate the clearing broker for losses incurred on behalf of the customers.

AVALON PARTNERS, INC.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2007  
(continued)

NOTE 4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT RISK  
(continued)

The Company, through its clearing broker, seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and the clearing brokers' internal guidelines. The clearing broker monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral, or reduce positions, when necessary.

NOTE 5. LEASE COMMITMENTS

The Company signed a 10 year non-cancelable lease for office space commencing on October 1, 2002. Future minimum lease payments required under this lease are as follows:

2008	172,840
2009	172,840
2010	172,840
2011	<u>144,033</u>
Total	<u>\$ 662,553</u>

The Company also signed a 28 month non-cancelable lease for additional office space commencing on December 8, 2007. Future minimum lease payments required under this lease are as follows:

2008	366,870
2009	<u>91,718</u>
Total	<u>\$ 458,588</u>

NOTE 6. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007, the Company had net capital of \$116,283, which was \$99,184 in excess of its required net capital of \$17,099.

END